97-84143-29

Fairlie, John Archibald

Taxation in Illinois

[Princeton, N.J.]

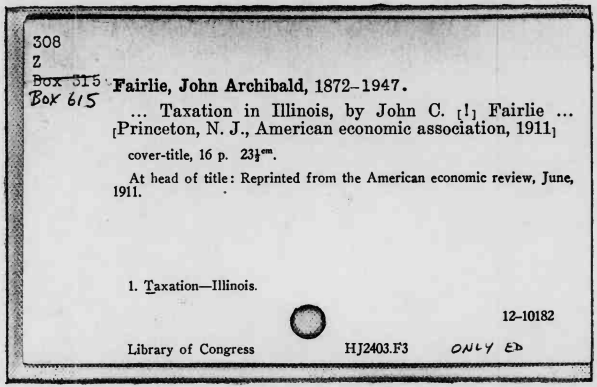
[1911]

97-84143-29
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



308
Z
~~Box 615~~
Box 615

Fairlie, John Archibald, 1872–1947.

... Taxation in Illinois, by John C. [!] Fairlie ... [Princeton, N. J., American economic association, 1911]

cover-title, 16 p. 23½cm.

At head of title: Reprinted from the American economic review, June, 1911.

1. Taxation—Illinois.

12-10182

Library of Congress HJ2403.F3 ONLY Ed

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 7/24/97 INITIALS: TLM

TRACKING # : MSH 26108

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

O. C. WILLIAMSON

Reprinted from the AMERICAN ECONOMIC REVIEW, June, 1911, published by the American Economic Association. Inquiries in regard to membership should be made to Professor T. N. Carver, Harvard University, Cambridge, Mass.

Taxation in Illinois

By

JOHN A. FAIRLIE,

University of Illinois

308
Z
Box 615

MAR 3 1943 PCR /HEU

TAXATION IN ILLINOIS

Illinois is the third State in the Union in population and in manufacturing; it contains the second largest city in the United States and many other important cities; and in its complex social and industrial life it must be classed with the most highly developed communities in the country. Yet the forms and methods of taxation are still, for the most part, those which originated in the times of its pioneer settlement; and reached substantially the present stage of development when the state was still mainly agricultural and when the mining and manufacturing industries and corporate forms of business organization were only beginning.

The principal basis of taxation for state, county and municipal purposes is the general property tax, prescribed by the state constitution; and the valuation of property for taxation is made under a law which now openly provides for assessment at a fraction of the fair cash value. Assessments are determined mainly by township and county officials, with practically no administrative supervision by state officials; and a complicated statute regulating the aggregate tax levy is practically ignored in most counties. Railroad property and the capital stock of some classes of corporations are assessed by a state board of equalization, whose organization and powers are by no means adequate. There are some sources of revenue, in addition to the general property tax: by contract, the Illinois Central Railroad pays to the State seven per cent of the gross earnings from its original charter lines, and these lines are exempt from the general property tax. The state also receives some revenue from a tax on insurance premiums, from corporation fees, from a tax on inheritances, and small amounts from miscellaneous fees. Local districts also have some revenue from fees, licenses and special assessments.

Legislation

A brief historical sketch will show that the present situation has developed mainly by chance and with no definite steps toward a systematic scheme of taxation adapted to present conditions. The first state constitution definitely provided for a general property tax; and the early methods of assessment and collection were regulated by various statutes. An act of 1827 provided for a state tax on lands, which were grouped in three classes, and authorized a county tax on town lots and a few specified classes of

tangible personal property. The Revised Statutes of 1845 definitely classified property into real and personal, and provided for assessments by the county treasurers. In the second state constitution, adopted in 1848, the brief provision on taxation in the first constitution was expanded into an article of six sections. This made more explicit the requirements for the general property tax on a uniform basis, specified and thus limited the property which might be exempted, and authorized certain special taxes. With the introduction of township government after 1848, the local assessment of property was further decentralized and transferred to the town assessors in counties with township organization. Acts of 1853 and 1855 prescribed in more detail the rules for listing and valuing property.

During the first decade after the close of the civil war, Illinois took the lead in enacting legislation intended to meet the conditions of the new industrial and corporate era, which, in this state, was just beginning. Not the least important measures were those dealing with taxation; and while these have fallen short of the needs of later times, they were a serious effort to meet the new conditions. The activity of these years offers a marked contrast to the long period of stagnation and retrogression which followed. In 1867 a state board of equalization was established, for equalizing the aggregate valuations of counties. Of more importance were the numerous changes in the article on revenue in the third state constitution, adopted in 1870. The uniform taxation of all property was again required; but the special taxation of insurance, telegraph and express business and corporations was authorized, as well as special assessments in cities; while limitations were placed on local indebtedness and the county tax rate.

Following the adoption of the new constitution, a general revision of the revenue law was enacted in 1872, which still forms the basis of the system of assessment and collection. This act continued the system of local assessment by town and county officers for most property; and further elaborated the rules for listing and valuing property, increasing the number of the specified items of personal property required to be scheduled. It further provided for the review and equalization of original assessments by the county boards. It also reorganized the state board of equalization, and gave to it, in addition to its power of equalizing county valuations, the more important additional duty of assessing railroad property and the capital stock of Illinois corporations. At

the outset the administration of the new law was undertaken energetically by both local and state officials. The assessed valuation of taxable property had been steadily declining in proportion to true value. In 1850 the assessed valuation had been more than two thirds of the census estimate of true value; but in 1870 the assessed valuation was only a fourth of the census estimates of true value, and in 1872 the total assessed valuation of $500,000 000 was but little more than in 1870. In 1873 the local valuations showed an increase of about 240 per cent, to $1,210,000,000. These local valuations were in turn subjected to a more rigorous readjustment by the reorganized state board of equalization than in any previous year. The aggregate valuation of every county in the state was altered, in some cases being more than doubled and in others cut down nearly one half. The state board's first assessment of railroad property increased the assessed valuation of such property more than five times, from $25,000,000 to $133,000,000; while the assessment of capital stock of Illinois corporations, other than railroad companies, added $20,000,000 to the total valuation of property in the state. The total equalized valuation for 1873 was $1,355,000,000, nearly three times that for 1872. The state tax rate was reduced about one half, and produced a million dollars more revenue; the average total tax rate for all purposes was reduced about one third, and the tax revenue for state and local purposes increased about two million dollars.

The reaction set in promptly. Already in 1874 the local valuations were 10 per cent less than in 1873; and the state board's assessments of railroad property and capital stock were 40 per cent less. By 1880 the local assessments had been reduced to 60 per cent of the figures of 1873, railroad property was but 35 per cent, and the capital stock of corporations only 10 per cent of the figures for 1873.[1] The total equalized valuation of property in 1880 was $786,000,000, about the same fraction (one fourth) of the census estimates of true value as in 1870. The state tax rate for 1880 was the same as in 1873, and the tax revenue less than before 1870. The average total tax rate was about double that for 1873; and the total tax revenue for state and local purposes was less in proportion to the true value of property than before 1870.

[1] The small assessment for capital stock of corporations was due in part to the amendment of the revenue law so as to except certain classes of corporations from assessment by the state board.

For nearly twenty years following 1880 the administration of the revenue laws steadily deteriorated. During a period of rapidly increasing values, the total assessed valuation of property in Illinois remained practically stationary, standing in 1898 at $778,000,000, $8,000,000 less than in 1880. The assessed valuation of town and city lots, and to a less degree, of railroad property showed some increase during this period; but the valuation of rural lands and of personal property in 1898 was considerably less than in 1880, and less than half of the valuation of these classes in 1873. This situation was due to the action of both local assessors and the state board of equalization; while the latter body steadily decreased both in extent and amount the changes made in equalizing the county valuations. Even if the stationary and declining valuations had been uniformly distributed over all classes of property and the property of all the taxpayers, the increased tax rates which these undervaluations made necessary were clearly misleading. While the tax rates were rising, a comparison of the taxes levied with the census estimates of the true value of property in Illinois indicates that the average burden of the general property tax for state and local purposes in 1890 was approximately 30 per cent less than in 1870, and about the same as in 1860. But there can be little doubt that the undervaluations were not uniformly or equitably distributed; and that some property was taxed much more in proportion to its value than other property. Even in the case of real estate there were important variations between different counties in the ratio of assessment to value; while the assessment of personal property was largely guesswork, and in some districts intangible personalty was practically not taxed at all.

Following the twenty-five years of steadily deteriorating administration of the tax laws, there have been some halting steps towards better conditions. An act of 1898 made some important changes in the machinery for the assessment of property. This recognized the practice of undervaluation in assessments, and provided that the taxable value should be one fifth of the "full value." It gave the county treasurer, as supervisor of assessments, increased powers of supervision over the town assessors in counties under township organization; and it reorganized and increased the powers of the county boards of review. In Cook county, an elective board of assessors and board of review was established; and the town assessors in the city of Chicago were abolished. The

assessed value of property under this act showed a considerable increase for 1899 over the previous year. This was especially notable in Cook county, where the taxable value (one fifth the "full value") was more than double the total assessed value for 1898. After this, the assessed value continued to increase slowly; and in 1909, when another act provided that the taxable value should be one third of the "full value," the assessed valuations were increased about 75 per cent.

In connection with the recent increase in valuations, efforts have been made to limit the total tax rate. The act of 1898 established a maximum limit for counties of over 125,000 population; but this was declared unconstitutional. An act of 1901, known as the Juul law, established a general maximum, and provided that when the aggregate of the rates levied by the various local authorities exceeded five per cent (on the one-fifth value), the county clerk should scale down the rates of the several taxing districts. In 1909, with the change in the nominal basis for the assessment of property from one fifth to one third, a corresponding change was made in the tax limit, and the ordinary maximum was placed at three per cent. The law, however, provides that certain tax levies shall not be reduced below certain minimum points, so that the aggregate authorized by law may be considerably more than three per cent. In practice the Juul law appears to be ignored in most counties; but is followed in Cook county and some of the other larger counties.

Besides these changes in the general property tax, there has been some recent legislation providing additional sources of state revenue. A reciprocal tax on insurance premiums has been authorized since 1869, and has been enforced since 1883. In 1895, a sliding scale of organization and other fees on corporations was established. In the same year a tax on gifts, legacies and inheritances was authorized; and in 1909 this law was amended and the rates increased in some cases. Numerous other examination, license and inspection fees have also been established; but these yield little or no net revenue above the cost of administration.

Administration

The recent amendments to the revenue laws have brought about some improvement in administration. But the gain has been slight; and the defects and inadequacy of the present system of taxation have become more clearly evident. The local assessors

lack special training, and are often without experience; yet they receive no instructions or advice (other than blank forms and schedules) and are subject to no active supervision on the part of the state officials. At the same time they are more or less subject to political influences and local pressure. Under these conditions it is not surprising that the local valuations of property are not only below the true value, but are a considerably smaller fraction of the true value than the one third recognized and authorized by the present law. Such under-assessments lead directly to an increase in the nominal rates of taxation; and at the same time to a marked inequality in the assessment of different classes of property and the property of different tax payers.

Real property forms about 75 per cent of the total assessed valuation of property; and is assessed with more approach to uniformity than other property. Yet there are evidences of considerable inequalities and variations in realty assessments among the 102 counties in Illinois. Comparison of the assessed valuations with the census estimates of true value by counties indicates that the assessed taxable value ranges from the one third of true value provided by statute down to not more than twenty per cent of true value in certain counties. This agrees with other evidence that the amounts put down for "full value" are often not more than three fourths or two thirds of the true value, and are sometimes less.

The assessment of personal property, however, shows much more serious inequalities and has not unfitly been called a farce. The revenue law calls for listing personal property on a schedule of thirty-six items; and in rural districts these appear to be often filled out. But the returns on tangible items show the most whimsical variations in the average values in different towns and counties; and the totals for certain items indicate that assessing officials must substantially exempt large amounts of such property. In the cities, personal property schedules appear to be seldom filed; and personalty assessments are largely guesses on the part of the assessors.

Most glaring of all are the inequalities in the assessment and taxation of intangible personal property, such as moneys and credits, mortgages, bonds and stocks. During the past ten or twelve years, there has been some increase in the assessment of such property. Yet it is clear that only a small portion is reached, and that such intangible holdings, which are easily transferable and

whose assessment depends entirely on statements by the owner, cannot be uniformly or equitably assessed under the general property tax. Moreover, if such property were assessed and taxed on the same basis as tangible property, the taxes at the rates now levied (especially in cities) would amount to an unjust confiscation of from one fourth to one half of the income; and in some cases such extortionate taxes are collected from those who scrupulously obey the letter of the statutes. More often such intangible holdings escape taxation altogether, the owners defending their failure to report it, on the ground that such instruments as stocks, bonds, notes and credits are not in any real sense property, but are simply a series of claims or obligations secured by tangible property subject to taxation.

In rural counties in Illinois, mortgages appear to be partially assessed, in some counties perhaps one fourth as completely as real estate. But in the cities, and especially in Chicago, the assessed value of moneys, credits and other intangible personalty is obviously a much smaller fraction of the actual holdings. The assessments for 1909 for the entire state, and for Cook county, for the principal items of intangible property are shown below:—

	State of Illinois	*Cook County*
Moneys of other than bankers, etc.	$31,257,604	$1,368,959
Credits of bankers, etc.	5,722,372	481,619
Credits of other than bankers, etc.	45,464,043	10,852,991
Bonds and stocks	6,808,346	2,589,718
Shares of capital stock of companies not of this state	1,490,072	118,218
Shares of stock of state and national banks	44,216,278	31,936,353

The original local valuations of property are subject to alteration by the county boards of review. In Cook county, where a special board is provided, a good many changes are made in individual assessments, but without remedying to any large extent the most serious defects of the original assessments. In the other counties of the state, the members of the county boards of review change rapidly, and the work seems to be even less effective. While a number of individual assessments are increased and lowered, and some additions are made to the total valuation, the alterations constitute but a fraction of the total assessment for the county.

The experience of Illinois in the assessment of personal, and especially of intangible property, confirms the experience of other

states with the modern highly developed and complex social structure. The notorious evasion of the terms of the revenue statutes are too glaring to be due simply to defects in administration; and while there is room for substantial improvements in administration, there is also clear need for more fundamental changes in the system of taxation, which cannot be introduced under the present constitutional provisions requiring the taxation of all property on a uniform basis. Nor are the deficiencies in the local assessment of property remedied or counterbalanced by the work of the state board of equalization. The organization of this board is not adapted for effective work, and its powers are entirely inadequate to the needs of the situation. It is composed of the auditor of public accounts and one member elected from each of the 25 congressional districts for terms of four years. It meets from August to December in each year to equalize county valuations and to assess railroad property and the capital stock of Illinois corporations. The large membership and the elective character of the board and the short time given to its work prevent it from becoming an efficient agent in the administration of the tax laws.

In connection with its duty of equalizing the aggregate valuations of counties, no provision appears to be made for any examination into local conditions; and the equalizations have been at best haphazard guesses. During the past twelve years, the state board has in fact made but few changes in the local assessments; and for the past two years has made no changes at all. The state boards needs larger powers and a more effective organization to perform its duty with any prospect of making an equitable apportionment of the state tax; it has no power to correct mistakes or inequalities in the local assessments of individual tax payers.

The assessment of railroad property by the state board also appears to fall short of what should be done. The method of determining the valuation of such property is not clearly indicated. The aggregate valuation of railroad property in the state has not been advanced in the same ratio as other property or in proportion to the increase of railroad earnings. The percentage of taxes to earnings paid by the railroads (on the basis of the state board's assessments) has declined from 13 per cent of net earnings in 1890 to 11 per cent in 1908, and from 4.75 per cent of gross earnings in 1890 to about 3.5 per cent in 1908. In 1898 the valuation of railroad property was practically 10 per cent of the total valuation for the state; in 1910 it was barely 8 per cent of the total. Moreover as between the various railroads the ratio of taxes to earnings shows wide variations, some roads paying only from 6 to 7 per cent of net earnings, and one of the most important systems paying but 2 per cent of gross earnings, or little more than half of the average for all roads in the state. There appears to be need at least for a more thorough investigation of the value of railroad property in Illinois and its relation to the value of other property.

In assessing the capital stock of Illinois corporations, the Illinois state board of equalization has a power which might appear to offer an opportunity to meet some of the deficiencies in the local assessment of intangible personalty. But in practice the capital stock assessments have never been of much importance, and for most of the time have had no significance at all. From 1875 to 1900 the assessed valuation of capital stock by the state board ranged from a minimum of $1,605,783 in 1877 to a maximum of $6,956,909 in 1890, the amounts for 1875 and 1900 being almost the same ($4,802,112 and $4,808,630). During the last decade the assessments have been considerably larger, as the result of a suit begun by the Teachers' Federation of Chicago, which compelled the state board to make some assessment for the franchise value of the public utility companies in Chicago. Public utility companies elsewhere in the state are also assessed now for small amounts; and a considerable number of other corporations are also placed on the list for nominal assessments of from $1,000 to $10,000 each. The total of these capital stock assessments from 1901 to 1908 reached a maximum of $22,705,627 in 1902 (immediately after the decision of the United States Supreme Court in the proceedings arising out of the Teachers' Federation suit), but declined to a minimum of $10,608,000 in 1907. In 1909 with the change in the basis of assessments from one fifth to one third, the capital stock assessments were increased to $35,394,441; and these figures were somewhat reduced in 1910 to $30,265,148. These low capital stock assessments are due in part to provisions of the revenue law which exempt from the jurisdiction of the state board important classes of corporations (such as those for manufacturing mining and mercantile purposes), and in part to the lack of legal authority to compel even the corporations subject to assessment to file the sworn statements prescribed by the revenue law. The result is that assessments are only a small fraction of what could

be assessed under a more effective law and with more efficient administrative machinery.

Exact comparisons of the assessed and true value of capital stock cannot be made. But a significant contrast may be noted between the assessment in Illinois and similar valuations by the officials of another state. The Illinois assessment of $35,000,000 for 1909 represents a supposed full value of $105,000,000 for the excess value of the capital stock of Illinois corporations above the value of the property assessed by local assessors. In the smaller state of Massachusetts, whose laws and regulations for the control of corporations are about the most stringent in the United States, the "corporate excess" value of the capital stock of corporations in 1909 was assessed at $427,643,330 or more than four times that in Illinois. Again, a striking contrast can be shown between the reports to the Illinois state board of equalization and those to the United States Commissioner of Internal Revenue, in connection with the federal tax on the net income of corporations in Illinois. The total amount of capital stock reported to the Illinois state board (including that of corporations against whom no state assessment was made) was $480,528,316 in 1909. A year later (in 1910) corporations with their principal office in Illinois reported to the Commissioner of Internal Revenue, an aggregate capital stock of $3,191,058,968.

The net result of the inadequate system of assessment and taxation is an apparently high tax rate on general property, an inequitable distribution of the burden of taxation, and at the same time a lack in public revenue, both for the state and for local purposes, which is responsible for much of the deficiency in the scope and efficiency of public activities in Illinois as compared with other states. On the face of the returns, the average tax rate for the entire state increased from $3.12 on the $100 in 1880 to $6.20 in 1900. But on the basis of the census estimates of the true value of property, the ratio of taxes to true value had slightly declined between these dates; and in 1904 (the last census data available) the ratio for all general property taxes to estimated true value was somewhat lower—sixty-nine hundredths of one per cent.

The nominal average tax rate in 1909 was $3.85, an apparent decline since 1900, due to the change in the legal basis of assessment from one fifth to one third of "full value." This average, however, represents large variations—from $2.03 in the county with the minimum average to $5.20 in the county with the maximum

average. In some cities the nominal rate is higher than the maximum county average. But, recognizing that even real estate valuations are less than the one third of full value recognized by law, and that other property is assessed to a smaller proportion of its value, the average ratio of taxation to true value of property in Illinois is distinctly less than in other states with which it may be classed in population and urban development.

Nor is the ineffectiveness of the general property tax made good by other sources of public revenue. The state treasury does receive more than a third of its income from sources other than the general property tax. This is a smaller proportion than in any of the North Atlantic states, smaller even than in some of the states in the Middle West. For local districts, the only considerable amount of ordinary revenue received in addition to the general property tax is that from liquor licenses in cities. Indeed the total public revenue in Illinois is considerably smaller in proportion to population and wealth than in other important and progressive states. As shown in the table below, the per capita revenue for state purposes in Illinois is less than half that in New York and Massachusetts, and not two thirds of that in Pennsylvania; and the per capita gross revenue of Illinois is only about one half that of Wisconsin and one third that of Minnesota.

STATE REVENUE IN SPECIFIED STATES

State	*Year*	*Total State Revenue*	*To Local Authorities*	*Revenue for State Purposes*	*Per Capita*[2]
New York	1909	$31,211,768	.....	$31,211,768	$3 50
Pennsylvania	1909	29,101,183	$11,369,194	17,731,989	2 35
Illinois[3]		10,805,959	2,037,503[4]	8,768,456	1 58
Massachusetts	1907	18,670,404	5,257,293	13,413,112	4 12
Wisconsin	1908	8,299,882	.....	.....	3 64
Minnesota	1908	12,446,280	.....	.....	6 20

In total revenue receipts by state and local authorities (including counties, cities and other minor divisions) for 1902, Illinois had less than half the per capita revenue of Massachusetts, about sixty

[2]Based on population for the year named estimated from the census returns for 1900 and 1910.

[3]One half of amounts for biennial period 1908-10.

[4]School fund and local bond funds.

per cent of that in New York and California, and a smaller per capita revenue than Pennsylvania or a number of smaller states such as Ohio, New Jersey and Minnesota.

REVENUE RECEIPTS OF STATES, COUNTIES, CITIES AND OTHER MINOR DIVISIONS IN SPECIFIED STATES, 1902[5]

State	*Total*	*Per capita*[6]
New York	$194,109,321	$25 40
Pennsylvania	100,198,452	15 24
Illinois	74,254,677	14 90
Ohio	67,701,208	15 45
Massachusetts	85,196,282	29 55
New Jersey	35,521,767	17 75
Minnesota	27,146,141	14 95
California	42,391,133	25 43

The total revenues of *all* the local authorities in Chicago are also smaller per capita than in any other of the five largest cities in the United States, and only about sixty per cent of that in New York or Boston. The Chicago revenues are less per capita than in most of the cities of over 300,000 population.

RECEIPTS FOR MEETING GOVERNMENTAL COSTS IN SPECIFIED CITIES, 1908[7]

Cities	*Total*	*Per capita*
New York	$240,030,480	$53 67
Chicago	63,435,853	30 31
Philadelphia	53,866,908	35 90
St. Louis	25,851,235	38 83
Boston	31,035,339	48 33

Proposed Reforms

Two efforts have been made, by means of special commissions, to secure some general plan of taxation reform in Illinois. The

[5]Compiled and computed from United States census report on *Wealth, Debt and Taxation* (1907), pp. 982-995.

[6]Computed on basis of population of 1900, plus one fifth of the increase from 1900 to 1910.

[7] U. S. Census: *Special Report on Statistics of Cities*, 1908, pp. 289, 343.

first of these, twenty-five years ago, had no substantial results. The report of the second commission was presented to the present General Assembly which adjourned without adopting any of the recommendations.

A joint resolution of the 34th General Assembly, in 1885, provided for a commission "to amend and revise the revenue law of the State of Illinois, and to propose and frame a revenue code, which shall be just to all classes of property and in keeping with our complicated system of business and individual and corporate avocations." This commission reported on March 1, 1886. It pointed out as the principal defects of the revenue system, the gross inequality and low rate of assessments, the arbitrary and unjust operation of the system of equalizing county valuations, the high rate of taxation, and the want of a central and efficient supervision of administration. It submitted the draft of a new revenue law, in which the following changes were proposed: the abolition of township assessors, and the substitution of county assessors and boards of review; certain changes in the law regarding the assessment of capital stock of corporations and the listing of personal property; the divorce of state revenue from local taxation; and the creation of a State Board of Tax Commissioners. No action appears to have been taken towards carrying out the recommendations of this commission. In 1902 the report was printed; but the only part of the recommendations which has been enacted into law is that for the establishment of county boards of review.

As the result of a recommendation of Governor Deneen a commission on taxation and revenue was authorized in 1909. The commission was appointed by the governor, and met for organization April 14, 1910.

This commission held nine meetings, with three public hearings; and received and considered numerous complaints and proposals for changes in the revenue laws. As provided in the act creating the commission, a compilation of the tax laws and judicial decisions of Illinois was prepared and published.[8] There was also prepared and published, at the request of the commission, a somewhat comprehensive descriptive and statistical report on the "Taxation and Revenue System of Illinois," by the writer of this article.

[8]This compilation was made by Professor Albert M. Kales of Northwestern University and Elmer M. Leissmann; and should be of much assistance to tax and revenue officials, and also to others interested in tax administration.

In the report of the Special Tax Commission which was submitted to the General Assembly in January, 1911, the principal defects of the present revenue system are stated to be: The undervaluations and inequalities in the assessment of property, especially the notorious evasion of the terms of the law in the assessment of intangible personal property; and defects in administration, on the part of town assessors and in the lack of an efficient system of state supervision.

Among its recommendations, the commission proposed a fundamental change in the state constitution, so as to free the general assembly from the present restrictions in regard to the taxation of personal property by recommending the submission of the following proposed amendment to the article on revenue in the present constitution:—

Section 14. From and after the date when this section shall be in force the powers of the General Assembly over the subject matter of the taxation of personal property shall be as complete and unrestricted as they would be if sections one (1), three (3), nine (9) and ten (10) of this article of the Constitution did not exist; *provided*, however, that any tax levied upon personal property must be uniform as to persons and property of the same class within the jurisdiction of the body imposing the same, and all exemptions from taxation shall be by general law, and shall be revocable by the General Assembly at any time.

As pointed out in the report of the commission, this proposed amendment will not of itself make any change in the system of taxation. But it will remove restrictions now placed on the General Assembly, and make possible the classification of personal property and the adoption of different methods and rates of taxation for different classes. Thus it would permit the adoption of a special recording tax on mortgages, as in New York and Minnesota, or such special taxes on intangible property as are in force in Pennsylvania and Maryland. It would also make possible other methods of taxing corporations, instead of the present system of capital stock assessments, which has proven so unsuccessful. It would further permit the establishment of a habitation tax, and the exemption of some classes of personal property. The proposed amendment was introduced in the present General Assembly, but action on it was complicated by agitation for other changes in the state constitution. Under the present constitution, amendments may be submitted to not more than one article at the same time; and active efforts were made to have an amendment submitted providing for the popular initiative and referendum on general legislation. To meet this and other difficulties, it has been proposed to call a state constitutional convention. All of the proposals for constitutional changes were, however, defeated in the General Assembly; and action on the tax amendment is at least postponed.

In addition to and independent of the proposed constitutional amendment, the Special Tax Commission recommended bills providing for important changes in the machinery of tax administration. These included the establishment of a permanent state tax commission to take the place of the present state board of equalization and with greatly increased powers, and the substitution of county assessors in place of town assessors in counties under township organization. The recommendation in favor of county assessors is similar to that made by the Revenue Commission of 1886; and should bring about a more efficient and more equitable assessment of property for taxation. Such a change has been made in Kansas, and has been suggested by the Wisconsin Tax Commission, while many states have a system of county assessment, and in others there is a more effective supervision over town assessors by county officials than in Illinois.

In its main purpose, the proposal for a permanent tax commission also renewed one of the principal recommendations of the special commission of 1886. But in the details of its organization and powers the plan now presented is different from the earlier plan and is similar to that of the permanent commissions established in recent years in about twenty states, including Michigan, Wisconsin, Minnesota, New Jersey, Oregon and Ohio. The bill submitted provided for a commission of three members to be appointed by the governor and senate, for terms of six years, at a salary of $7,500 per year for each member. It was intended to make the commission, so far as possible, a non-partisan body; and no member was to be permitted to serve on or under any political committee or to engage in any other occupation or business while a member of the commission.

This commission was to have, in the first place, all the powers and duties of the present state board of equalization, in regard to equalizing county valuations and assessing railroad property and the capital stock of Illinois corporations. In addition, it would have important powers of general supervision over the local administration of the assessment and tax laws of the state. The primary responsibility for the original assessment of property

would be left in the hands of the local assessors, and the present supervisory powers of the county boards of review would remain. But it was proposed to give the state tax commission authority to advise and instruct the local assessors in the discharge of their duties, the power to take measures to see that the revenue laws are enforced, the power to hear and determine appeals from the action of the county boards of review, and, in special cases, where the original assessment is shown to be unjust and inequitable, power to appoint special assessors and direct a reassessment of property in a particular taxing district. It was also proposed that the permanent state commission should have power to investigate the efficiency of the administration of the tax and revenue laws in Illinois, to examine the tax laws and their operation in other states and countries, and to recommend to the General Assembly changes in the revenue laws.

Such a commission should be able to bring about a considerable improvement in the administration of the present revenue laws, and also to aid in securing useful changes in the system of taxation, especially if the proposed constitutional amendment is adopted. A bill providing for the proposed state tax commission was introduced in the General Assembly, but failed of passage.

In spite of the absence of immediate results from the work of the committee, it may be said that its recommendations have been favorably received, and that further discussion may lead to their adoption in the future.

JOHN A. FAIRLIE.

University of Illinois.

END OF
TITLE